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The Gazette
BUSINESS
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HOW THEY CLOSED

TSE	10,493.03	+172.27
CDNX	3322.61	-5.42
DOW	10,238.80	+46.60
NASDAQ	3290.28	-26.49
GOLD (N.Y.)	$271.50	-90¢
DOLLAR	65.85	-0.51
PRIME RATE	7.50	UNCH

See World Markets on Page D5

BUSINESS EDITOR: DAVID YATES (514) 987-2512
TUESDAY, OCTOBER 17, 2000

ME tells Jitec to clarify deal

Stock exchange halts trading until new statement on sale to Canada Payphone is issued

DON MACDONALD
The Gazette

The Montreal Exchange halted trading in **Jitec Inc.** stock yesterday and ordered the company to clarify its press statements regarding agreements with business partners.

An ME official said the exchange requested the Nuns' Island high-tech company clarify its Aug. 8 announcement of a $105-million deal with **Canada Payphone Corp.** of Burnaby, B.C., as well as any other public disclosures the company deems to need further explanation.

Jitec chief executive officer Benoit Laliberté, 28, said the company intended to issue a joint press release with Canada Payphone this morning, before the market opens, to clarify a letter of intent between the two companies. While the release must be verified by the ME, Laliberté said he's confident trading in Jitec will resume at the market open.

Jitec spokesman Joseph Côté said the company will also announce that Nov. 15 is the date that it will reveal the identity of a U.S. telecommunications consortium that has agreed to buy four computing centres for $40 million. That deal was originally announced Sept. 18.

The stop-trading order comes amid a Quebec Securities Commission investigation into the possibility that Jitec stock trading has been manipulated. The commission is examining unusual trading patterns since the company's stock began trading July 26.

Jitec designs and markets network-computer technology that is designed to save companies money on their computing outlays. Jitec offers stripped-down computer terminals that are connected to powerful servers at centralized operating centres. This permits firms to access all the latest software, high-speed Internet service and tech support for $49.95 a month.

DOWNTICK WAS EXPECTED

Yesterday, brokers said Jitec stock, which closed Friday at $7, was set to begin trading yesterday at $6 before the ME issued its stop-trading order in the minutes before the open.

ME equities-division director Louis Doyle said a story on Jitec in Saturday's edition of *The Gazette* helped prompt the halt-trading order. The story reported Canada Payphone CEO Bruce Clark's concerns about the timing and the wording of Jitec's Aug. 8 press release.

In the release, Jitec said it and Canada Payphone had "concluded an agreement for the implementation of 45,000 terminals" in major Canadian hotels over the next two years. But Canada Payphone issued a release the next day, specifying that "the agreement anticipates a market of up to 45,000 systems."

The Gazette's story also detailed Laliberté's aggressive buying and selling of Jitec stock in the weeks after the company went public. Laliberté, who frequently makes use of a private helicopter, owns a block of 19 million shares giving him a personal fortune, on paper, of $273 million at Friday's close of $7.

He has blamed the roller-coaster volatility of his company's share price on the activities of short-sellers, who profit when the price of the stock goes down...Specifically, he accuses Westmount millionaire Herbert Black of organizing a scheme to sell short one million Jitec shares in the hopes of pressuring Laliberté into selling him stock at cut-rate prices.

Black, president of scrap-metal company **American Iron & Metal Co.**, calls those allegations nonsense. Instead, the prominent businessman, copper trader and art collector said he considered investing in Jitec last month, but backed away because "I wasn't satisfied with what I saw" of the company's operations. He mentioned the wording and content of the company's press releases as one of the issues that bothered him.

A step into automotive future

Alternative-fuel cars showcased

FRANÇOIS SHALOM
The Gazette

The latest-technology cars were tearing up the Gilles Villeneuve race track on Ile Notre Dame yesterday, but they hardly compared to the Formula One gas-guzzlers that call the course home in June.

In fact, instead of F1 engines roaring as loudly as jets and the overpowering smell of fuel, you could barely discern motors starting – and this was when you were in the driver's seat – and you could detect only a few tiny wisps of white smoke emanating from the occasional exhaust pipe.

It's the wave of the future: all the cars were electric powered, or hybrids running on dual energy – gas and electricity.

But one thing is certain at the 17th Annual International Electric Vehicle Symposium being held in Montreal this week and at which environmentalist Jean-Michel Cousteau was the keynote speaker: the industry has scant more knowledge than you or I as to what road the cars of tomorrow are taking.

Will they be electric? Gas and electric hybrids? Fuel cells? If so, hydrogen fuel-cells or sulphur-free gas fuel-cells? Or simply immensely cleaner gas?

Please see VEHICLES, Page D4

GORDON BECK, GAZETTE

Reporter François Shalom test-drives a Honda Insight at the Circuit Gilles Villeneuve race track yesterday.

Britain fine without the euro – so far

JAY BRYAN

As economists in Canada debate inconclusively whether it might eventually be necessary for this country to adopt the U.S. dollar in order to reap the full benefits of North American free trade, Britain appears to provide evidence that currency harmonization really isn't as important as all that.

At least that's the conclusion that could be drawn from recent figures on British performance in international markets. Some independent analysts, however, caution that it is too early to draw any such conclusion.

Nevertheless, it appears undeniable that nearly two years after the creation of the euro, a common currency adopted by all the large industrial nations of Europe except Britain, the British economy is thriving.

Perhaps most striking, the status of London as the financial capital of Europe seems not to have been damaged by the fact that it is outside the European currency union.

What's more, there seems to be no expectation of future disaster in the City of London, the international financial centre in the centre of Greater London that enjoys its own municipal government and its own Lord Mayor.

Certainly this is the view of current Lord Mayor Clive Martin, a printing executive who is touring Canada and Mexico as he nears the end of his one-year term as goodwill ambassador and chief salesman for the city in markets all over the world.

Martin and an entourage of financial and international trade experts from London spent yesterday selling the merits of London as a vibrant, efficient financial market to a number of Quebec's top business and economic leaders, including provincial finance minister Bernard Landry.

The message, as one might expect, was relentlessly upbeat.

Sure, they acknowledge, New York is the world's financial capital these days, but that's mostly a reflection of its huge domestic market.

It is London that is the world's capital of international finance. Its stock market lists more non-domestic companies than any other in the world. Its investment managers oversee more equity investments than those of any other market, including New York. Its foreign-exchange trading and cross-border bank lending put those of other financial centres in the shade.

And strangely enough, the British continue to dominate international financial transactions in the euro, the very currency they refuse to adopt.

Last year, once again, it was the huge British financial-services industry, nearly all of it in the City of London, that permitted the country to enjoy a surplus in its international payments.

Trade in manufacturing and other goods was in deficit; tourism trade was in deficit; transport services were in deficit, but all this was more than wiped out by the massive surplus produced by financial services, a surplus worth roughly $58 billion in Canadian dollars, up by more than $2 billion from the prior year's surplus.

What's more, foreign direct investments (in factories, real estate and the like) continues to flood into Britain despite its isolation outside the euro area.

Martin argues forcefully that this happy situation need not change.

First, he says, it has been shown that London's markets, whether for bonds, equities, derivatives or copper, can trade anything in any currency with speed and efficiency. Second, he does not believe that British opinion, although recently hardened against the euro by Denmark's rejection of the common currency, will permanently reject the common currency.

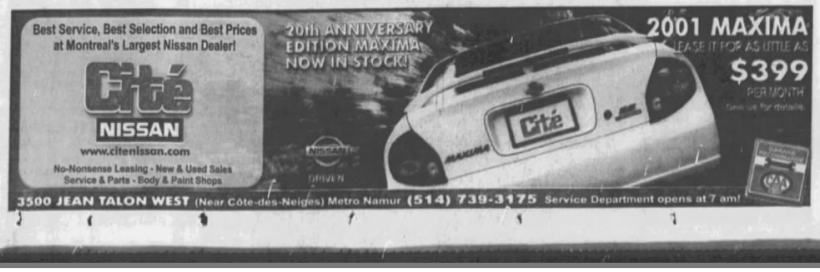
Maybe. On the other hand, it is far from clear to independent observers that the British public will lose its determination to retain the pound. And over the longer run, it isn't at all clear that the financial capital of Europe's increasingly unified capital market can be outside Europe's common currency zone.

One skeptical observer, economist Douglas Porter of BMO Nesbitt Burns, suggests that while British policy choices have certainly been helpful, a great deal of London's success as a financial centre has been based on its historical strength as a financial centre and its current good luck in being a convenient English-speaking gateway to Europe for North Americans.

If Britain should join the euro within a few years, there's no reason why that position shouldn't continue, Porter concedes.

But if it doesn't, he thinks it very likely that its strength will be eroded by ambitious competitors in continental financial capitals like Frankfurt and Paris.

Either way, there will be important lessons to be learned in this country by those who seek to understand the right balance between national sovereignty and international harmonization in a sometimes-unforgiving global economy.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